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SUBJECT: CHINA TO INTRODUCE GREEN ENERGY SUPPORT
PLAN

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USG channels.

¶1. (SBU) Summary: China's National Energy
Administration (NEA) has announced it will soon
submit a support plan for the alternate energy
sector. Although specific details have not yet been
released, the plan will focus on more-efficient and
alternative energies--particularly wind and solar--
and an Embassy contact estimated that investment in
the new energy sector would reach RMB 4.5 trillion
by 2020. Although some industry experts predicted
the plan will turn China into a key market for solar
equipment, the plan appears to emphasize
domestically-available technology. End Summary.

Emphasis on New Energy Technology

¶2. (U) At a June 1 press conference, Vice Chairman
Liu Qi announced that NEA had completed a draft
"Development Plan for New Energy" and would soon
submit it to the National Development and Reform
Commission (NDRC) and the State Council for
approval. Liu explained that the government
considered development of "new energy" an important
economic development strategy and would greatly
increase government investment in the new energy
sector. Under the plan, improved technology would
lower costs and help industrialize the new energy
sector. Liu also emphasized that NEA would proceed
cautiously and consider possible risks in their
pursuit of alternative energy.

Plan to Focus on Wind, Solar, and Biomass

¶3. (U) The plan outlines development goals for new
alternative energies such as wind power, solar
power, and biomass energy, as well as NEA's
intention to improve efficiency and reduce emissions
from traditional carbon-based energy sources through
technologies such as clean coal plants and smart
grid technology. An NDRC official emphasized that
wind power generation, in particular, would be a key
area of development. The draft plan calls for total
wind power capacity to reach 150 GW by 2020, solar
power to reach 20GW, and nuclear power to reach

80GW. The plan also addresses one of the main challenges for new energy development: connecting these alternative energy sources to the power grid. According an industry expert, the plan could transform China into a key market for the solar photovoltaic industry; changing it from the "world's factory" for the solar photovoltaic industry into the "world's market."

Investment at Home and Abroad

14. (SBU) An NDRC official emphasized to us that China would increase new energy investments in China and overseas, thereby contributing to global energy production. He estimated the total investment in the new energy sector would reach RMB 4.5 trillion (USD 660 billion) by 2020, much higher than the previously planned RMB 3 trillion.

Comment: A Market for U.S. Exports?

15. (SBU) China plans massive investments in alternative and clean energy. While there are likely opportunities for foreign firms, the Chinese plans emphasize localization and improved domestic production. In fact, part of the emphasis on solar and wind technology over other more capital-intensive solutions may be explained by the fact that these simpler technologies are more readily available in China, and have higher local content

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levels. Most production in solar equipment production, for example, is dominated by local firms, with around 50 new Chinese companies expanding poly-silicon production lines with investment over RMB 100 billion (about USD 15 billion). Chinese government financing and purchasing regulations make it difficult for foreign producers to compete. Foreign companies as a result are not competing directly with Chinese manufactures for photovoltaic products, focusing instead on high-end, more value-added sectors such as design, R&D, sales and third party service.

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